

CITY OF IDA GROVE

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2004

## NEWS RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on City of Ida Grove, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$2,080,011 for the year ended June 30, 2004 a 38 percent decrease from 2003. The receipts included \$580,489 in property tax, \$96,850 from tax increment financing collections, \$687,128 from charges for service, \$252,450 from operating grants, contributions, and restricted interest, \$419,544 from capital grants, contributions, and restricted interest, \$21,325 from unrestricted investment earnings, and \$22,225 from other general receipts.

Disbursements for the year totaled \$1,999,281, a 31 percent decrease from the prior year, and included \$438,145 for capital projects, \$330,013 for public works, and \$258,039 for culture and recreation. Also, disbursements for business type activities totaled \$395,824.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

/s/###

CITY OF IDA GROVE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2004

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CITY OF IDA GROVE  
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2004)		
Dennis Ernst	Mayor	January, 2006
Bill Carnine	Council Member	January, 2004
Earl Muckey	Council Member	(Deceased November, 2003)
Jim Weary	Council Member	January, 2004
Rick Heeren	Council Member	January, 2006
Stephanie Konradi	Council Member	January, 2006
Diane Alborn	Clerk	Indefinite
Sheryl Wonder	Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite
(After January, 2004)		
Dennis Ernst	Mayor	January, 2006
Rick Heeren	Council Member	January, 2006
Stephanie Konradi	Council Member	January, 2006
Bill Carnine	Council Member	January, 2008
Tom Peterson	Council Member	January, 2008
Jim Weary	Council Member	January, 2008
Diane Alborn	Clerk	Indefinite
Sheryl Wonder	Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ida Grove, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ida Grove, as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 14, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2004 on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hungelman, Putzier & Co.*

September 10, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Ida Grove provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 23.6%, or approximately \$533,000, from fiscal 2003 to fiscal 2004.

Disbursements of the City's governmental activities decreased 25.7%, or approximately \$554,000, in fiscal 2004 from fiscal 2003.

The City's total cash basis net assets increased 4%, or approximately \$81,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$1,000 and the assets of the business type activities increased by approximately \$80,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.



## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the water, sewer, and garbage services. These activities are financed primarily by user charges.

### Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage, and utility deposit funds. The water, sewer, and garbage funds are considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements, and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

<u>Changes in Cash Basis Net Assets of Governmental Activities</u> <u>(Expressed in Thousands)</u>		<u>Year Ended June 30,</u> <u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service		\$ 219
Operating grants, contributions and restricted interest		252
Capital grants, contributions and restricted interest		412
General receipts:		
Property tax		588
Tax increment financing		97
Unrestricted investment earnings		21
Other general receipts		<u>15</u>
Total receipts		<u>1,604</u>
Disbursements:		
Public safety		255
Public works		330
Health and social services		17
Culture and recreation		258
General government		173
Debt service		132
Capital projects		<u>438</u>
Total disbursements		<u>1,603</u>
Increase in cash basis net assets		1
Cash basis net assets beginning of year		<u>1,422</u>
Cash basis net assets end of year		<u>\$1,423</u>

The City's total receipts for governmental activities decreased by 24.9%, or \$533,000. The total cost of all programs and services decreased by approximately \$554,000, or 25.7%. The significant decrease in receipts and disbursements was due primarily to major fund raising for the REC Center which was completed during fiscal year 2003, and the construction and equipping of the facility which was also completed during fiscal year 2003.

The cost of all governmental activities this year was \$1.603 million compared to \$2.157 million last year. However, as shown in the Statement of Activities and Net Assets on pages 12-13, the amount taxpayers ultimately financed for these activities was only \$720,000 because some of the cost was paid by those directly benefited from the programs (\$219,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$664,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$720,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

### Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)

Year Ended June 30,  
2004

Receipts:	
Program receipts:	
Charges for service:	
Water	\$198
Sewer	151
Garbage	115
Utility	4
Capital grants, contributions, and restricted interest	7
Total receipts	<u>475</u>
Disbursements:	
Water	142
Sewer	139
Garbage	111
Utility	4
Total disbursements	<u>396</u>
Increase in cash balance	79
Cash basis net assets beginning of year	<u>541</u>
Cash basis net assets end of year	<u>\$620</u>

Total business type activities receipts for the fiscal year were \$475,000 compared to \$830,000 last year. This significant decrease was due primarily to the receipt of \$333,000 from the Iowa Underground Storage Tank Program in 2003. Total disbursements and transfers for the fiscal year decreased by 45.4% to a total of \$396,000.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Ida Grove completed the year, its governmental funds reported a combined fund balance of \$1,422,808, an increase of \$1,220 from last year's total of \$1,421,588. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$37,979 from the prior year to \$506,421. This decrease was primarily due to the City not receiving the State allocation monies during fiscal year 2004. Also, there was an increase in payments to Ida County for the City's law enforcement contract.

The Road Use Tax Fund, which accounts for monies received from the State of Iowa for road improvements, cash balance increased by \$26,176 to \$411,893 during the fiscal year. This increase was attributable to an increase in the per capita fee from the state and a decrease in street construction during fiscal year 2004.

The Tax Increment Financing Fund, which accounts for projects financed by tax increment financing, cash balance increased by \$7,383 to \$331,455. This increase was primarily due to a decrease in the payment of bonds and coupons on the related debt.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS - (Continued)

The Capital Projects Fund, which accounts for various improvement projects within the City, cash balance decreased by \$2,366 to \$51,643.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund, which accounts for the operation and maintenance of the City's water system, cash balance increased by \$64,090 to \$290,877, due primarily to a decrease in disbursements associated with the construction of two new water wells completed during fiscal year 2003.

The Sewer Fund, which accounts for the operation and maintenance of the City's sanitary sewer and wastewater treatment system, cash balance increased by \$11,313 to \$267,296.

The Garbage Fund, which accounts for the operation of the City's solid waste collection and disposal system, cash balance increased by \$4,247 to \$52,553.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 1, 2004, and resulted in an increase of \$431,102 in receipts and \$433,225 in disbursements. The Fire Department received a U.S. Forest Service and IDNR Forestry Bureau grant to help purchase new fire equipment. Donations were received from public and private donations to build and equip the new REC Center and to purchase playground equipment for the City Park. Additional fees were collected from water customers to pay the cost of an alternate water source.

## DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$440,000 in bonds and other long-term debt, compared to approximately \$545,000 last year, as shown below.

### Outstanding Debt at Year-End (Expressed in Thousands)

	<u>June 30,</u> <u>2004</u>
General obligation bonds	<u>\$440</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$440,000 is significantly below its constitutional debt limit of \$3.8 million.

## ECONOMIC FACTORS

Ida Grove is experiencing both commercial and residential growth. The City annexed land adjacent to the City limits and a Super 8 Motel with thirty-four rooms was built. The Horn Memorial Hospital has begun \$9 million dollars of renovation and expansion. The Farmer's Cooperative Elevator continues to expand and upgrade their facility. They have invested \$11 million dollars in improvements.

The City extended utilities and a new street to Zobel's Seventh Addition for a cost of \$220,000. This will provide thirteen lots for residential development.

These developments should have a significant impact on sales tax collections and increased property tax base for Ida Grove, Ida County, and the Battle Creek-Ida Grove School District.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Alborn, City Clerk, P.O. Box 236, Ida Grove, Iowa.

CITY OF IDA GROVE  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

Exhibit A

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Functions/Programs:								
Primary government:								
Governmental Activities								
Public safety	\$ 254,600	\$ 597	\$ 13,696	\$ -	\$ (240,307)	\$ -	\$ (240,307)	\$ -
Public works	330,013	-	200,156	-	(129,857)	-	(129,857)	-
Health and social services	17,506	-	-	-	(17,506)	-	(17,506)	-
Culture and recreation	258,039	185,738	22,619	10,952	(38,730)	-	(38,730)	-
General government	173,439	12,744	15,979	-	(144,716)	-	(144,716)	-
Debt service	131,715	-	-	-	(131,715)	-	(131,715)	-
Capital projects	438,145	20,237	-	401,070	(16,838)	-	(16,838)	-
Total governmental activities	<u>1,603,457</u>	<u>219,316</u>	<u>252,450</u>	<u>412,022</u>	<u>(719,669)</u>	<u>-</u>	<u>(719,669)</u>	<u>-</u>
Business type activities								
Water service	141,629	198,197	-	7,522	-	64,090	64,090	-
Sewer service	139,563	150,876	-	-	-	11,313	11,313	-
Garbage service	110,937	115,184	-	-	-	4,247	4,247	-
Utility deposits	3,695	3,555	-	-	-	(140)	(140)	-
Total business type activities	<u>395,824</u>	<u>467,812</u>	<u>-</u>	<u>7,522</u>	<u>-</u>	<u>79,510</u>	<u>79,510</u>	<u>-</u>
Total primary government	<u>\$ 1,999,281</u>	<u>\$ 687,128</u>	<u>\$ 252,450</u>	<u>\$ 419,544</u>	<u>(719,669)</u>	<u>79,510</u>	<u>(640,159)</u>	<u>-</u>
Component unit:								
Ida Grove Community Rec Center								
Endowment Trust	<u>\$ 12,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,430</u>
General Receipts:								
Property tax levied for:								
General purposes					471,416	-	471,416	-
Tax increment financing					96,850	-	96,850	-
Employee benefits					58,202	-	58,202	-
Debt service					37,806	-	37,806	-
Emergency					13,065	-	13,065	-
Special assessments					7,614	-	7,614	-
Unrestricted interest on investments					21,325	-	21,325	-
Bank franchise tax					14,289	-	14,289	-
Miscellaneous					322	-	322	-
Total general receipts and transfers					<u>720,889</u>	<u>-</u>	<u>720,889</u>	<u>-</u>

(Continued)

CITY OF IDA GROVE  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

Exhibit A  
(Continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Primary Government			
Disbursements	Charges for Service			Governmental Activities	Business Type Activities	Total	Component Unit
Change in cash basis net assets				\$ 1,220	\$ 79,510	\$ 80,730	\$ 6,430
Cash basis net assets beginning of year, as restated				<u>1,421,588</u>	<u>540,554</u>	<u>1,962,142</u>	<u>213,064</u>
Cash basis net assets end of year				<u>\$ 1,422,808</u>	<u>\$ 620,064</u>	<u>\$ 2,042,872</u>	<u>\$ 219,494</u>
Cash Basis Net Assets							
Restricted:							
Streets				\$ 411,893	\$ -	\$ 411,893	\$ -
Tax increment purposes				331,455	-	331,455	-
Debt service				81,778	-	81,778	-
Other purposes				39,618	145,318	184,936	-
Ida Grove Community Rec Center							
Endowment Trust				-	-	-	219,494
Unrestricted				<u>558,064</u>	<u>474,746</u>	<u>1,032,810</u>	<u>-</u>
Total cash basis net assets				<u>\$ 1,422,808</u>	<u>\$ 620,064</u>	<u>\$ 2,042,872</u>	<u>\$ 219,494</u>

See notes to financial statements.

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

		Special Revenue			Other	
			Tax		Non-major	
	General	Road	Increment	Capital	Governmental	Total
		Use	Financing	Projects	Funds	
Receipts:						
Property tax	\$ 438,142	\$ -	\$ -	\$ -	\$ 101,552	\$ 539,694
Tax increment financing collections	-	-	96,850	-	-	96,850
Other city tax	33,274	-	-	-	7,521	40,795
License and permits	6,369	-	-	-	-	6,369
Use of money and property	35,496	-	-	97	-	35,593
Intergovernmental	37,218	195,726	-	-	-	232,944
Charges for service	180,428	-	-	-	-	180,428
Special assessments	-	-	-	4,489	3,125	7,614
Miscellaneous	63,420	-	-	400,970	-	464,390
Total receipts	<u>794,347</u>	<u>195,726</u>	<u>96,850</u>	<u>405,556</u>	<u>112,198</u>	<u>1,604,677</u>
Disbursements:						
Operating:						
Public safety	254,098	-	-	-	502	254,600
Public works	129,737	169,550	-	-	30,726	330,013
Health and social services	17,506	-	-	-	-	17,506
Culture and recreation	252,863	-	-	570	4,606	258,039
General government	159,139	-	-	-	14,300	173,439
Debt service	-	-	-	-	131,715	131,715
Capital projects	30,793	-	-	407,352	-	438,145
Total disbursements	<u>844,136</u>	<u>169,550</u>	<u>-</u>	<u>407,922</u>	<u>181,849</u>	<u>1,603,457</u>
Excess (deficiency) of revenues over expenditures	<u>(49,789)</u>	<u>26,176</u>	<u>96,850</u>	<u>(2,366)</u>	<u>(69,651)</u>	<u>1,220</u>
Other financing sources (uses):						
Transfers in	11,810	-	-	-	89,467	101,277
Transfers out	-	-	(89,467)	-	(11,810)	(101,277)
Total other financing sources (uses)	<u>11,810</u>	<u>-</u>	<u>(89,467)</u>	<u>-</u>	<u>77,657</u>	<u>-</u>
Net change in cash balances	(37,979)	26,176	7,383	(2,366)	8,006	1,220
Cash balances beginning of year	<u>544,400</u>	<u>385,717</u>	<u>324,072</u>	<u>54,009</u>	<u>113,390</u>	<u>1,421,588</u>
Cash balances end of year	<u>\$ 506,421</u>	<u>\$ 411,893</u>	<u>\$ 331,455</u>	<u>\$ 51,643</u>	<u>\$ 121,396</u>	<u>\$1,422,808</u>

(Continued)



CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B  
(Continued)

	General	Special Revenue		Capital Projects	Other Non-major Governmental Funds	Total
		Road Use	Tax Increment Financing			
Cash Basis Fund Balances						
Unreserved:						
General fund	\$ 506,421	\$ -	\$ -	\$ -	\$ -	\$ 506,421
Special revenue funds	-	411,893	331,455	-	39,618	782,966
Debt service	-	-	-	-	81,778	81,778
Capital project fund	-	-	-	51,643	-	51,643
Total cash basis fund balances	<u>\$ 506,421</u>	<u>\$ 411,893</u>	<u>\$ 331,455</u>	<u>\$ 51,643</u>	<u>\$ 121,396</u>	<u>\$ 1,422,808</u>

See notes to financial statements.

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit C

	Water Service	Sewer Service	Garbage Service	Non- Major Fund Utility Deposits	Total
Operating Receipts:					
Use of money and property	\$ 150	\$ -	\$ -	\$ -	\$ 150
Charges for service	197,188	149,722	115,168	-	462,078
Miscellaneous	<u>859</u>	<u>1,154</u>	<u>16</u>	<u>3,555</u>	<u>5,584</u>
Total operating receipts	198,197	150,876	115,184	3,555	467,812
Operating Disbursements:					
Business type activities	<u>141,629</u>	<u>139,563</u>	<u>110,937</u>	<u>3,695</u>	<u>395,824</u>
Excess (deficiency) of operating receipts over operating disbursements	56,568	11,313	4,247	(140)	71,988
Non-operating receipts					
Intergovernmental	<u>7,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,522</u>
Net change in cash balances	64,090	11,313	4,247	(140)	79,510
Cash balances beginning of year	<u>226,787</u>	<u>255,983</u>	<u>48,306</u>	<u>9,478</u>	<u>540,554</u>
Cash balances end of year	<u>\$ 290,877</u>	<u>\$ 267,296</u>	<u>\$ 52,553</u>	<u>\$ 9,338</u>	<u>\$ 620,064</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 290,877</u>	<u>\$ 267,296</u>	<u>\$ 52,553</u>	<u>\$ 9,338</u>	<u>\$ 620,064</u>

See notes to financial statements.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, general government, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission, and Ida County Landfill Commission during the year ended June 30, 2004 were \$208,914 and \$23,500 respectively.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Service Fund accounts for the operation and maintenance of the City's water system.

The Sewer Service Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Garbage Service Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

The City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. Cash

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3.

3. Bonds Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 110,000	\$ 21,005
2006	75,000	15,665
2007	75,000	12,230
2008	80,000	8,750

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

3. Bonds Payable - (Continued)

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,000	\$ 5,000
2010	35,000	3,500
2011	35,000	1,750
Total	<u>\$440,000</u>	<u>\$67,900</u>

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$18,186, \$14,787, and \$14,371 respectively, equal to the required contributions for each year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$4,066</u>

The liability has been computed based on rates of pay as of June 30, 2004.

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency fund	\$ 11,810
Debt service	Special Revenue:	
	Tax increment financing	<u>89,467</u>
		<u>\$101,277</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

7. Operating Lease

The City leases two John Deere mowers. Rental expense incurred for this lease was \$4,895 for the year ended June 30, 2004. Minimum amounts payable under this operating lease are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2005	\$4,895
2006	<u>4,895</u>
	<u>\$9,790</u>

8. Commercial Development Revenue Bonds

Commercial Development Revenue Bonds were issued July 1, 1984, for \$575,000, under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the properties constructed and the bond principal and interest do not constitute liabilities of the City. The balance outstanding at June 30, 2004 was \$175,000.

9. Service Agreements

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$109,369 for the year ended June 30, 2004.

10. Hospital Revenue Notes

The City has issued a total of \$8,950,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa of which \$8,950,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the revenue of the hospital and the bond principal and interest do not constitute liabilities of the City.

11. Construction Contracts and Commitments

The City has entered into the following contracts which were not completed as of June 30, 2004.

<u>Projects</u>	<u>Total</u> <u>Contract</u> <u>Amount</u>	<u>Amount</u> <u>Paid</u> <u>As of</u> <u>6-30-04</u>	<u>Remaining</u> <u>Commitment</u> <u>As of</u> <u>6-30-04</u>
Street Improvements	\$ 49,625	\$ -	\$ 49,625
Zobel's Seventh Addition	213,193	-	213,193
Barnes Street Improvement	101,508	-	101,508
Engineering	34,965	18,550	16,415

The above projects will be paid from funds on hand.

CITY OF IDA GROVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

12. Risk Management

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Deficit Fund Balance

The Capital Projects Funds, Forrest Avenue Improvement, Barnes Street Improvement, and Zobel's Seventh Addition had deficit balances of \$10,537, \$6,325, and \$12,225, respectively at June 30, 2004. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments and transfers from other funds.

14. Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service funds.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash basis net assets June 30, 2003 as previously reported	\$1,139,895	\$425,017
Internal service funds	<u>281,693</u>	<u>115,537</u>
Cash basis net assets July 1, 2003 as restated	<u>\$1,421,588</u>	<u>\$540,554</u>



## REQUIRED SUPPLEMENTARY INFORMATION

Author	Year	Journal	Volume	Page
Smith, J. D.	1998	Journal of Environmental Science and Technology	32	1234
Johnson, M. K.	2001	Environmental Science and Technology	35	5678
Williams, L. R.	2003	Environmental Science and Technology	37	9012
Chen, H. Y.	2005	Environmental Science and Technology	39	3456
Lee, S. J.	2007	Environmental Science and Technology	41	7890
Kim, J. H.	2009	Environmental Science and Technology	43	2345
Park, Y. S.	2011	Environmental Science and Technology	45	6789
Kim, J. H.	2013	Environmental Science and Technology	47	1234
Kim, J. H.	2015	Environmental Science and Technology	49	5678
Kim, J. H.	2017	Environmental Science and Technology	51	9012

CITY OF IDA GROVE  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 539,694	\$ -	\$ 539,694	\$ 537,621	\$ 537,621	\$ 2,073
Tax increment financing collections	96,850	-	96,850	106,416	106,416	(9,566)
Other city tax	40,795	-	40,795	40,795	40,795	-
License and permits	6,369	-	6,369	6,055	6,055	314
Use of money and property	35,593	150	35,743	55,925	55,925	(20,182)
Intergovernmental	232,944	7,522	240,466	273,922	273,922	(33,456)
Charges for service	180,428	462,078	642,506	517,145	539,452	103,054
Special assessments	7,614	-	7,614	7,843	7,843	(229)
Miscellaneous	464,390	5,584	469,974	263,867	672,662	(202,688)
Total receipts	<u>1,604,677</u>	<u>475,334</u>	<u>2,080,011</u>	<u>1,809,589</u>	<u>2,240,691</u>	<u>(160,680)</u>
Disbursements:						
Public safety	254,600	-	254,600	274,889	279,389	24,789
Public works	330,013	-	330,013	440,388	440,388	110,375
Health and social services	17,506	-	17,506	24,475	24,475	6,969
Culture and recreation	258,039	-	258,039	310,697	310,697	52,658
General government	173,439	-	173,439	208,441	208,441	35,002
Debt service	131,715	-	131,715	131,765	131,765	50
Capital projects	438,145	-	438,145	65,987	494,712	56,567
Business type activities	-	395,824	395,824	545,088	545,088	149,264
Total disbursements	<u>1,603,457</u>	<u>395,824</u>	<u>1,999,281</u>	<u>2,001,730</u>	<u>2,434,955</u>	<u>435,674</u>
Excess (deficiency) of receipts over disbursements	1,220	79,510	80,730	(192,141)	(194,264)	274,994
Balances, beginning of year	<u>1,421,588</u>	<u>540,554</u>	<u>1,962,142</u>	<u>1,633,599</u>	<u>1,633,599</u>	<u>328,543</u>
Balances, end of year	<u>\$ 1,422,808</u>	<u>\$ 620,064</u>	<u>\$2,042,872</u>	<u>\$ 1,441,458</u>	<u>\$ 1,439,335</u>	<u>\$ 603,537</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$433,225. The budget amendment is reflected in the final budgeted amounts.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	<u>Special Revenue</u>			
	<u>Employee</u>	<u>Emergency</u>	<u>Debt</u>	<u>Total</u>
	<u>Benefits</u>	<u>Fund</u>	<u>Service</u>	
Receipts:				
Property tax	\$ 54,086	\$ 12,141	\$ 35,325	\$ 101,552
Other city tax	4,116	924	2,481	7,521
Special assessments	-	-	3,125	3,125
Total receipts	<u>58,202</u>	<u>13,065</u>	<u>40,931</u>	<u>112,198</u>
Disbursements:				
Operating:				
Public safety	502	-	-	502
Public works	30,726	-	-	30,726
Culture and recreation	4,606	-	-	4,606
General government	14,300	-	-	14,300
Debt service	-	-	131,715	131,715
Total disbursements	<u>50,134</u>	<u>-</u>	<u>131,715</u>	<u>181,849</u>
Excess (deficiency) of revenues over expenditures	<u>8,068</u>	<u>13,065</u>	<u>(90,784)</u>	<u>(69,651)</u>
Other financing sources (uses):				
Transfers in	-	-	89,467	89,467
Transfers out	-	(11,810)	-	(11,810)
	<u>-</u>	<u>(11,810)</u>	<u>89,467</u>	<u>77,657</u>
Net change in cash balances	8,068	1,255	(1,317)	8,006
Cash balances beginning of year	<u>18,485</u>	<u>11,810</u>	<u>83,095</u>	<u>113,390</u>
Cash balances end of year	<u>\$ 26,553</u>	<u>\$ 13,065</u>	<u>\$ 81,778</u>	<u>\$ 121,396</u>
Cash Basis Fund Balances				
Unreserved:				
Special Revenue	\$ 26,553	\$ 13,065	\$ -	\$ 39,618
Debt service	-	-	81,778	81,778
Total cash basis fund balances	<u>\$ 26,553</u>	<u>\$ 13,065</u>	<u>\$ 81,778</u>	<u>\$ 121,396</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
STATEMENT OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2004

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End Of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
West Fifth/Westview Addition street improvements	February 1, 1995	5.50%	\$ 330,000	\$ 80,000	\$ -	\$ 40,000	\$ 40,000	\$ 4,400	\$ -
Hillcrest/Zoebel's 6th street improvements	May 1, 1998	4.15-4.50%	400,000	225,000	-	40,000	185,000	9,715	-
Airport improvement	October 11, 2000	5.00%	290,000	<u>240,000</u>	<u>-</u>	<u>25,000</u>	<u>215,000</u>	<u>12,000</u>	<u>-</u>
				<u>\$ 545,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 440,000</u>	<u>\$ 26,115</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
BOND MATURITIES  
JUNE 30, 2004

Schedule 3

General Obligation Bonds

Year Ending <u>June 30,</u>	Airport Improvement Issued <u>October 11, 2000</u>		West Fifth/Westview Street Improvement Issued February 1, 1995		Hillcrest/Zoebel's 6th Street Improvement Issued May 1, 1998		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2005	5.00%	\$ 25,000	5.50%	\$ 40,000	4.20%	\$ 45,000	\$ 110,000
2006	5.00	30,000	-	-	4.30	45,000	75,000
2007	5.00	30,000	-	-	4.40	45,000	75,000
2008	5.00	30,000	-	-	4.50	50,000	80,000
2009	5.00	30,000	-	-	-	-	30,000
2010	5.00	35,000	-	-	-	-	35,000
2011	5.00	35,000	-	-	-	-	35,000
		<u>\$ 215,000</u>		<u>\$ 40,000</u>		<u>\$185,000</u>	<u>\$ 440,000</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TWO YEARS

Schedule 4

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 539,694	\$ 485,730
Tax increment financing collections	96,850	183,235
Other city tax	40,795	40,097
License and permits	6,369	2,190
Use of money and property	35,593	42,552
Intergovernmental	232,944	344,280
Charges for service	180,428	15,733
Special assessments	7,614	4,878
Miscellaneous	464,390	1,019,413
Total	<u>\$1,604,677</u>	<u>\$2,138,108</u>
Disbursements:		
Operating:		
Public safety	\$ 254,600	\$ 260,739
Public works	330,013	389,524
Health and social services	17,506	21,241
Culture and recreation	258,039	1,187,576
General government	173,439	161,296
Debt service	131,715	136,805
Capital projects	438,145	-
Total	<u>\$1,603,457</u>	<u>\$2,157,181</u>

See accompanying independent auditor's report.



Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council  
Ida Grove, Iowa

We have audited the financial statements of City of Ida Grove, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-A-04, II-B-04, II-I-04, and II-J-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Ida Grove's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weaknesses. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Ida Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Henzelmann, Putzier & Co.*

September 10, 2004

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

I-A-04    Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City Council holds an organizational meeting at the first meeting in January. At that time, the Council reviews the operational procedures so they can obtain maximum internal control. The financial reports are presented the first meeting of the month to the entire Council for their review and approval, which is an additional procedure to maintain maximum control.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-04    Official Depositories - A resolution naming official depositories has been adopted by the City. However, the maximum deposit amounts stated in the resolution were exceeded at United Bank of Iowa in December, 2003.

Recommendation - The City should monitor depository balances and amend the depository resolution before the limit is exceeded.

Response - The City Clerk and City Treasurer will monitor the City's deposits and watch the maximum amount so the resolution can be increased to cover the deposits.

Conclusion - Response accepted.

II-B-04    Certified Budget - Disbursements during the year exceed the amounts budgeted in the Public Safety, and Capital Projects functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-B-04    Certified Budget - (Continued)

Response - Unexpected capital projects caused the City's budget to be exceeded. The City Clerk will monitor the capital project funds and amend the budget before it is exceeded.

Conclusion - Response accepted.

II-C-04    Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04    Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04    Business Transactions - We noted no business transactions between the City and City officials or employees.

II-F-04    Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04    Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-04    Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

II-I-04    Excess Balances - The following funds have balances at June 30, 2004 in excess of one year's expenditures:

Special Revenue - Tax Increment Financing - South

- Road Use

- Emergency Levy

Capital Projects - Pleasant Valley Trail

- Airport Improvement

- Parents for Parks

- Community Development Block Grant

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - TIF Area South - The City will discontinue levying for funds for annual bond and coupon payments. The excess balance will be reduced annually through 2008.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-I-04     Excess Balances - (Continued)

Response - (Continued)

Road Use Tax - The City has planned a Street Improvement Project and will be using monies from the carry over balance in the Road Use Tax Fund. This will reduce the carry over balance.

Emergency Levy - The funds will be transferred to the General Fund to be used to pay costs for operation and maintenance of the outside swimming pool, City Parks, and the Pleasant Valley Trail.

Pleasant Valley Trail - The Pleasant Valley Trail has been completed and the monies will be transferred to the general fund to be used for repair and maintenance of the existing trail and new capital improvements adjacent to the trail.

Airport Improvement - The City has reviewed the need to complete the runway improvement project at the airport and will by resolution transfer the monies to the general fund for capital improvements for City streets.

Parents for Parks - The Parents for Parks Committee has been fund raising and late this fall purchased and installed a new set of playground equipment for children from ages 2 to 5 and this coming year will be installing another unit for children 5 to 12. They installed benches and additional playground equipment at the same site.

CDBG - The Council donated \$37,500 to the building of the REC Center and the City is making annual payments from this fund over the next ten years.

Conclusion - Response accepted.

II-J-04     Financial Condition - At June 30, 2004 the City had deficit balances in the Forrest Avenue Improvement, Barnes Street Improvement, and Zobel's Seventh Addition funds.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - Forrest Avenue Improvement shows a negative balance because the project was a special assessment project. As the individuals pay their annual payments, the project will be in the black. The City will be selling bonds for several projects in the next year and the cost for Zobel's Seventh Addition and Barnes Street Improvement will be included in the bond sale.

Conclusion - Response accepted.

CITY OF IDA GROVE  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-K-04    Publication of Salaries - The City did not publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should publish annual individual salaries as required.

Response - The City employee's salaries for 2003 were published on October 4, 2004. This will be added to the January worklist.

Conclusion - Response accepted.